

In determining the gross amount received during the taxable year for the purposes of the limitation provided in section 501(c)(15) of the Internal Revenue Code of 1954, premiums written or received on insurance contracts during the taxable year are to be taken into account without deduction for amounts paid or incurred for reinsurance or for return premiums.

Advice has been requested whether a mutual insurance company exempt from Federal income tax under section 501(c)(15) of the Internal Revenue Code of 1954 may, in determining gross income received during the taxable year for the purposes of the limitation contained in that section of the Code, reduce the amount of premiums written or received on insurance contracts by amounts paid or incurred for reinsurance or for return premiums.

Section 501(c)(15) of the Code provides for the exemption from Federal income tax of mutual insurance companies or associations other than life or marine (including inter-insurers and reciprocal underwriters) if the gross amount received during the taxable year from the items described in section 822(b) of the Code (other than paragraph (1)(D) thereof) and premiums (including deposits and assessments) does not exceed \$150,000.

Section 1.821-4(a)(1)(ii) of the Income Tax Regulations provides that the term 'premiums' as used in section 821 of the Code has the same meaning as in section 501(c)(15) of the Code and means the total amount of the premiums and other consideration provided in the insurance contract without any deduction for return premiums, reinsurance, etc. Accordingly, premiums written or received during the taxable year are to be taken into account without deduction for amounts paid or incurred for reinsurance or for return premiums in determining the gross amount received during the taxable year for purpose of the limitation contained in section 501(c)(15) of the Code.